To: CSU Employees

From: Gail Brooks, Vice Chancellor, Human Resources

Re: Budget Options that May Impact Employees

Earlier this week, the CSU’s Board of Trustees faced the difficult job of reviewing options to manage our serious budget problems.

It’s important to provide context for what the trustees are struggling with so you understand the profound challenges our university is facing. The CSU has been dealing with reductions in state support since 2007-08 that now total nearly $1 billion. That is a staggering disinvestment in higher education by the state’s leaders.

Before us now is an additional cut of $250 million, which will be imposed if Gov. Brown’s tax initiative is not passed by voters in November. Realizing what is at stake, the trustees voted to endorse Gov. Brown’s tax initiative.

However, even though the CSU will be doing its part to support passage of the tax initiative, we must also be prepared to deal with the loss of the $250 million if voters say no. That is why the board must consider these difficult options. There is no single solution that will fix an additional $250 million cut. The board’s discussion focused on several options that would impact all of us, including permanent salary and benefit reductions and sharing a greater cost of our benefits. Though many of the options are unpalatable, they were put together with thoughtful input from thousands of members of the university community.

The board discussed two possible approaches to close an additional $250 million budget gap; both necessarily include salary and benefit reductions because salaries and benefits account for nearly 85 percent of the CSU’s annual costs:

- The first approach protects student access—and avoids further reductions in student enrollment—with a $150 tuition fee increase and a 2.5 percent systemwide average pay and benefit reduction for faculty, staff and administrators.
- The second preserves tuition “price” by reducing enrollment and by implementing a 5.25 percent systemwide average pay and benefit cut for faculty, staff and administrators.

The chancellor will present a single recommended approach to the board at its September meeting so that the CSU will be prepared if there is an unfavorable outcome of the November election.

What made this week’s discussion particularly difficult is that we have to consider potential compromises in employee pay and benefits. It is critically important to compensate and reward our employees and to provide the health care and many other benefits that help all of us live better. But it is also vital to maintain as many jobs as possible, and to serve as many students as we can with high-quality programs. It is difficult to balance these objectives when state support has fallen by nearly 40 percent.
One example of the pressures faced by the university is the ever-rising cost of providing health care benefits. In the fiscal year just ended, the CSU spent $355 million on health care benefits. This represents 95 percent of the total costs for the average employee. Those costs will increase $36 million next January.

For represented employees, any proposals to change current pay and benefits would, of course, be subject to collective bargaining with the CSU’s various unions.

Our greatest challenge now is to continue to provide our students with the best education possible. It is your exceptional work that helps our students succeed. I encourage all of you to join our continuing fight for investment in the CSU. You are our best ambassadors, and your stories and experiences are powerful reminders to state and local decision-makers about the incredible impact of the CSU. See our website for ways to take action and make your voice heard. Together we can be an influential force for investment in the CSU.